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CORPORATION FILE

Mercantile Stores Company, Inc.

1938-1955

Presented to the
New York Society of Security Analysts
November 29, 1956

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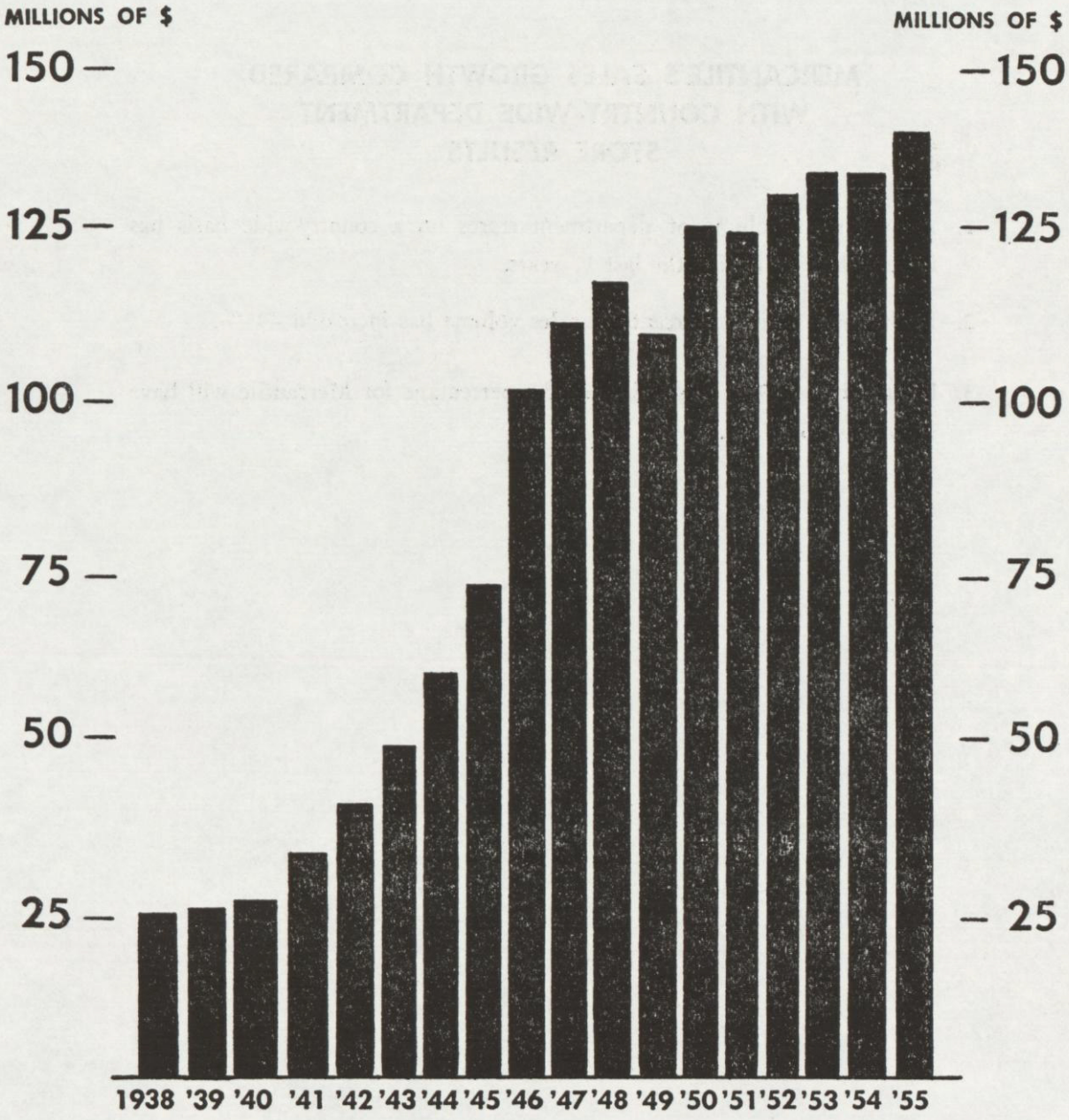
SALES FOR PAST 18 YEARS

1. Mercantile's sales have grown from about $25,000,000 in 1938 to about $139,000,000 in 1955. The 1955 sales are approximately 556% of 1938 sales.

2. With the new stores opened this year, the annual rate of sales right now (November, 1956) is well above $150,000,000.

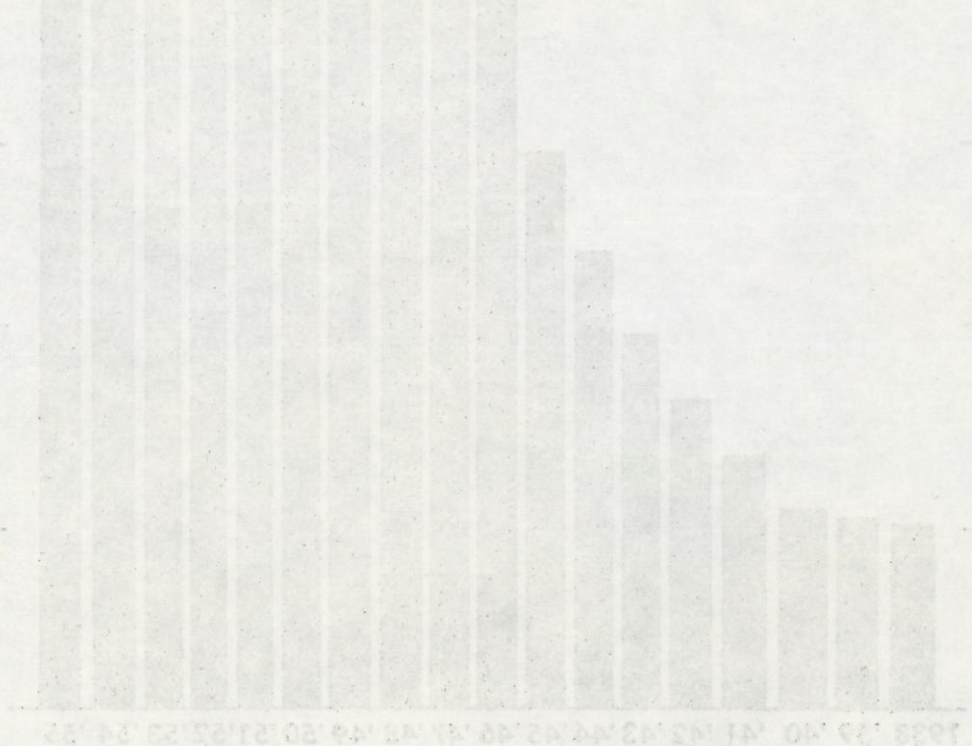
3. If general business conditions continue about as they are now, sales for 1957 should approach the figure of $160,000,000, and could possibly pass that figure.

SALES DURING PAST 18 YEARS



MERCANTILE'S SALES GROWTH COMPARED WITH COUNTRY-WIDE DEPARTMENT STORE RESULTS

1. Annual sales volume of department stores on a country-wide basis has increased 248% during the last 17 years.
2. In the same period, Mercantile's sales volume has increased 445%.
3. By the end of 1956, it is estimated the percentage for Mercantile will have reached about 478%.



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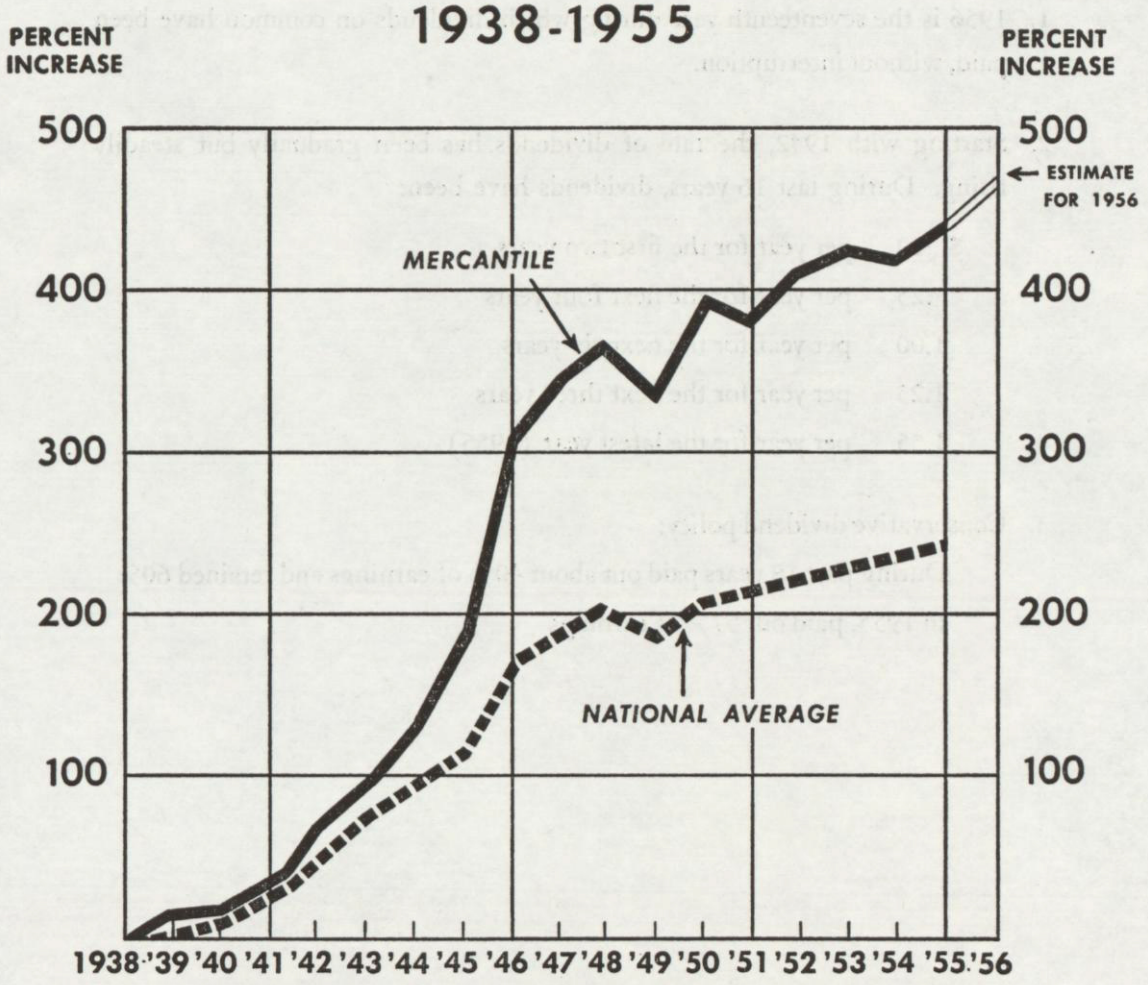


EARNINGS, DIVIDENDS AND RETAINED EARNINGS

1. 1956 is the seventeenth year during which dividends on common have been paid, without interruption.

2. Starting with 1942, the rate of dividends has been gradually but steadily rising. During last 16 years, dividends have been:

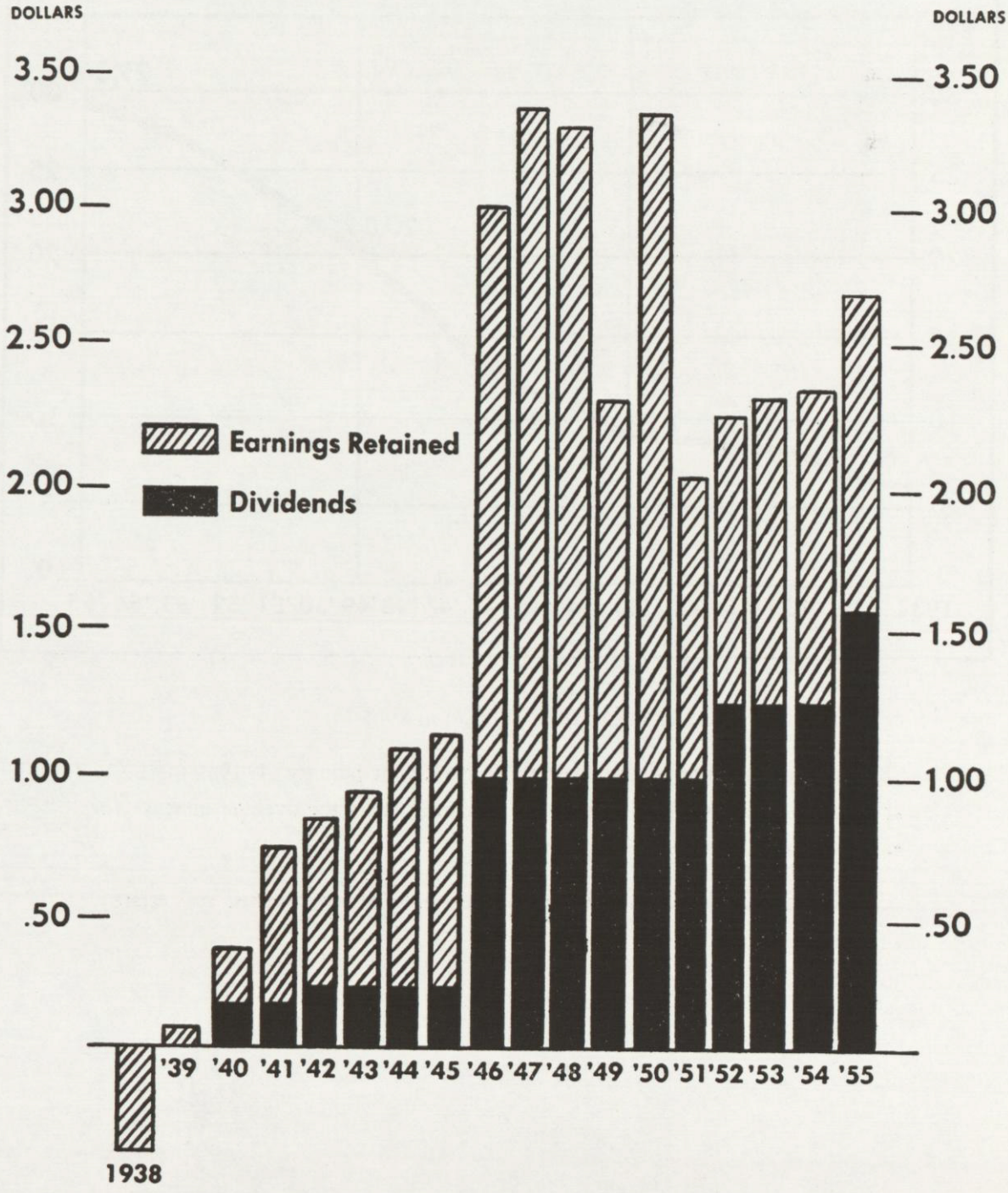
$ .20	per year for the first two years
.25	per year for the next four years
1.00	per year for the next six years
1.25	per year for the next three years
1.55	per year for the latest year (1955)

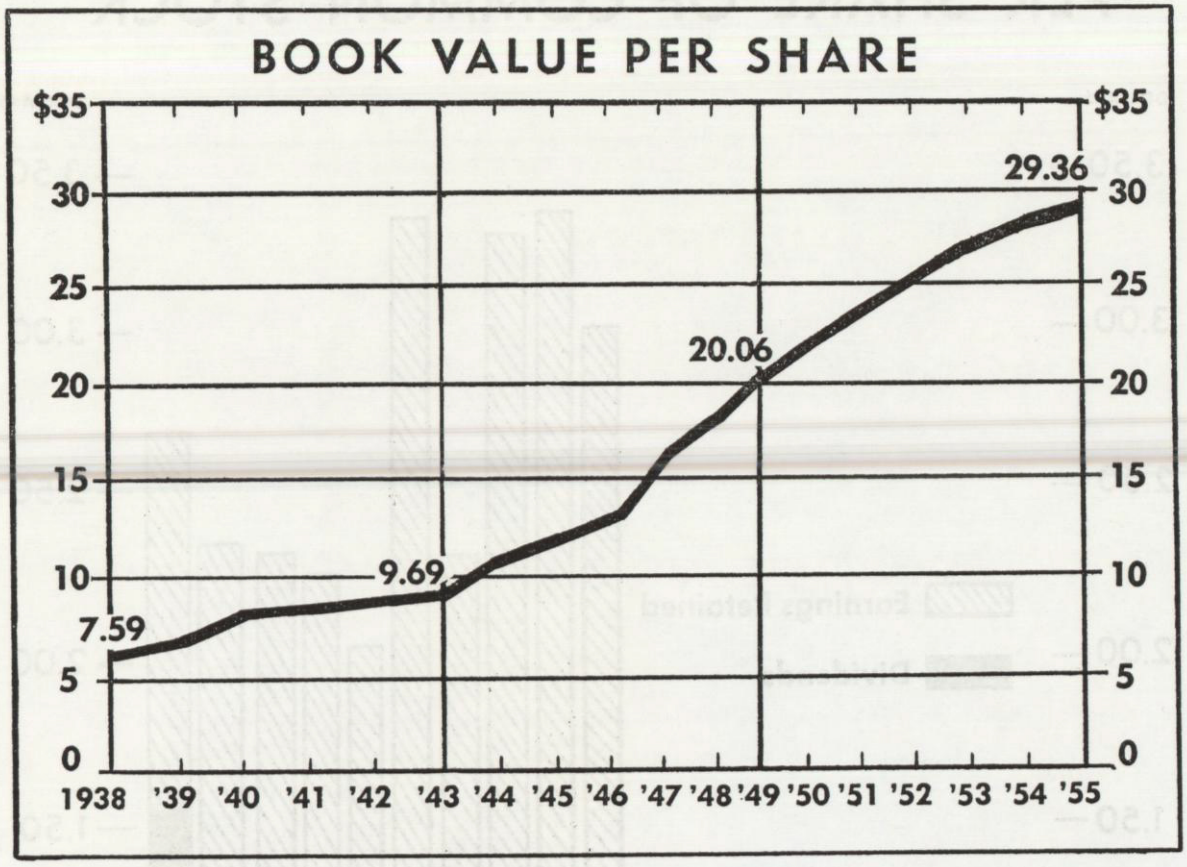
3. Conservative dividend policy:

   During past 18 years paid out about 40% of earnings and retained 60%

   In 1955, paid out 57% of earnings

EARNINGS, DIVIDENDS, AND EARNINGS RETAINED PER SHARE OF COMMON STOCK

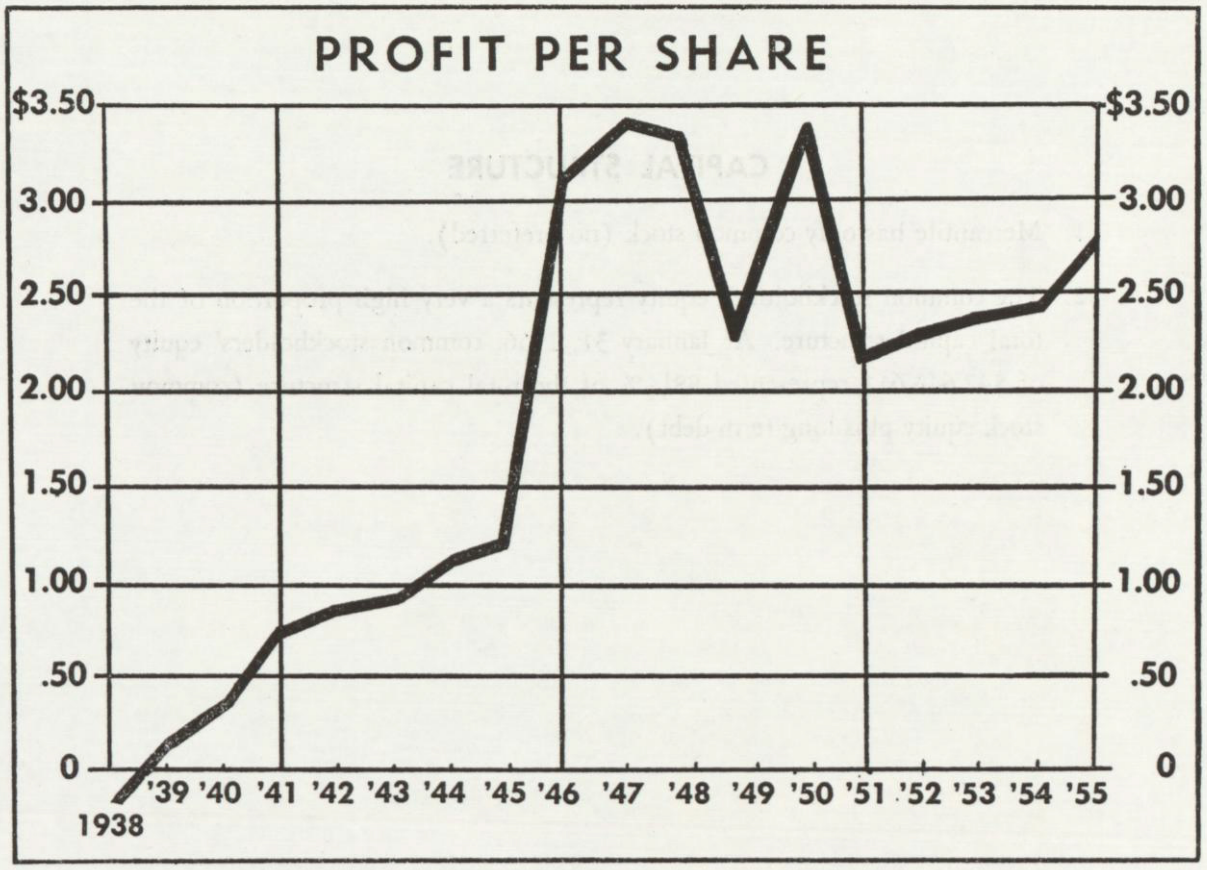




The figures are after the 10 for 1 split-up in 1945.

The book value per share has risen from $7.59 at January 31, 1939 to $29.36 at January 31, 1956. During the past seventeen years the average increase for each year has been about $1.28 per share.

The assets are conservatively stated (example is under-valued real estate).



The per share amounts for all years are on the basis of the new common stock after the ten for one split-up in 1945.

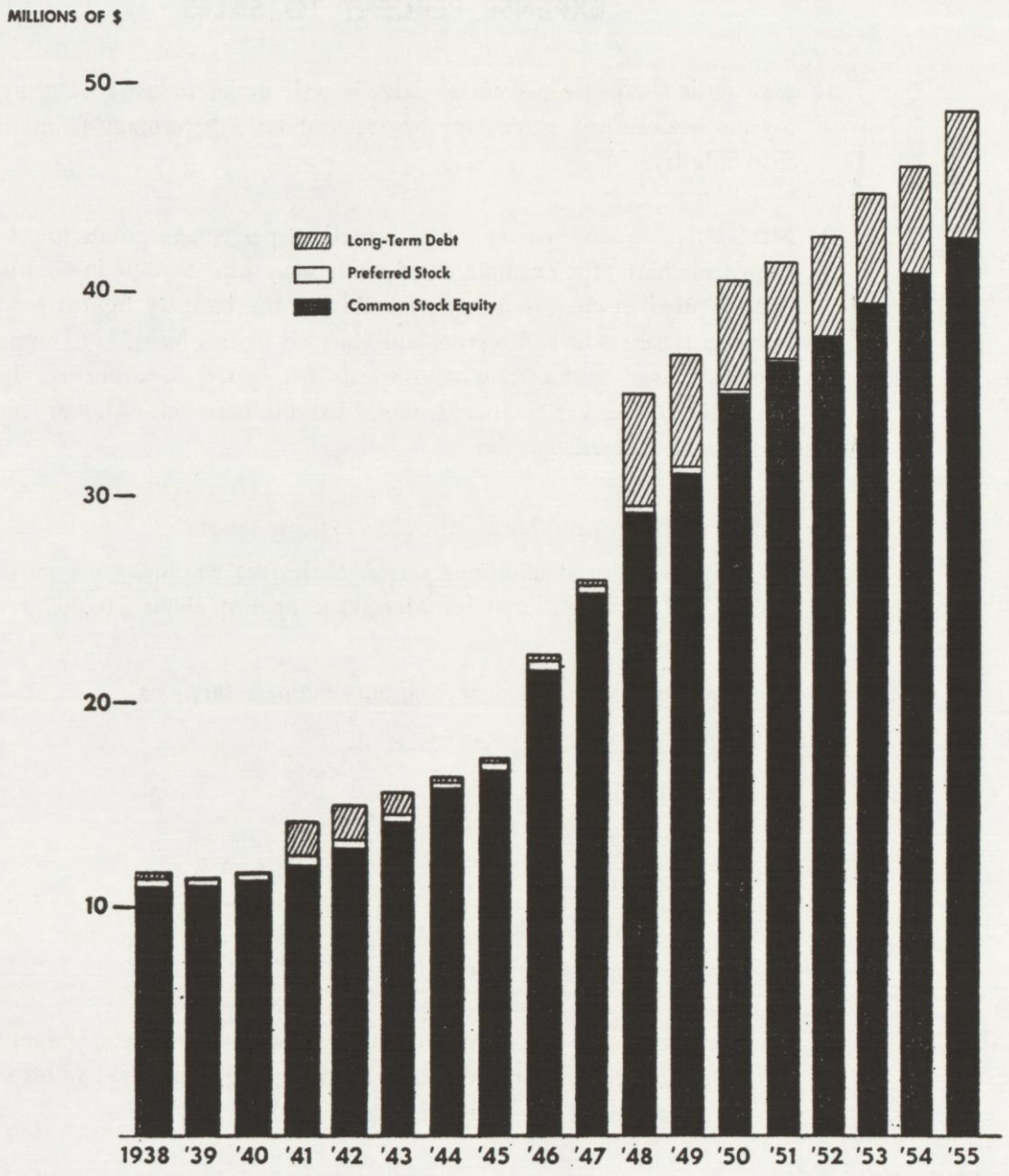
CAPITAL STRUCTURE

1. Mercantile has only common stock (no preferred).

2. The common stockholder's equity represents a very high proportion of the total capital structure. At January 31, 1956, common stockholders' equity of $42,643,611 represented 88½% of the total capital structure (common stock equity plus long term debt).

CAPITAL STRUCTURE

(Common Stock, Preferred Stock and Long Term Debt)



EXPENSE PERCENT TO SALES

NOT FOR PUBLICATION

1. Mercantile's expense percent to sales is well under industry. During last 5 years Mercantile's percentage has been about 5 percentage points lower than industry.

2. Mercantile's expense percentage is actually 2 percentage points lower than shown in chart (for example, 1955 percentage was 26.55% instead of the 28.81% used in chart). Reason for this — the industry figures are from Harvard Business School reports and Harvard figures include an "imputed" interest charge, and certain adjustments for leased departments. In the chart, our figures are computed on comparable basis with Harvard figures to make the comparison valid.

3. Factors contributing to Mercantile's low expense ratio:

   High sales production per person (Sales per employee at annual rate of about $22,000 for Mercantile against about $16,000 for the industry)

   Emphasis by management to eliminate unnecessary jobs

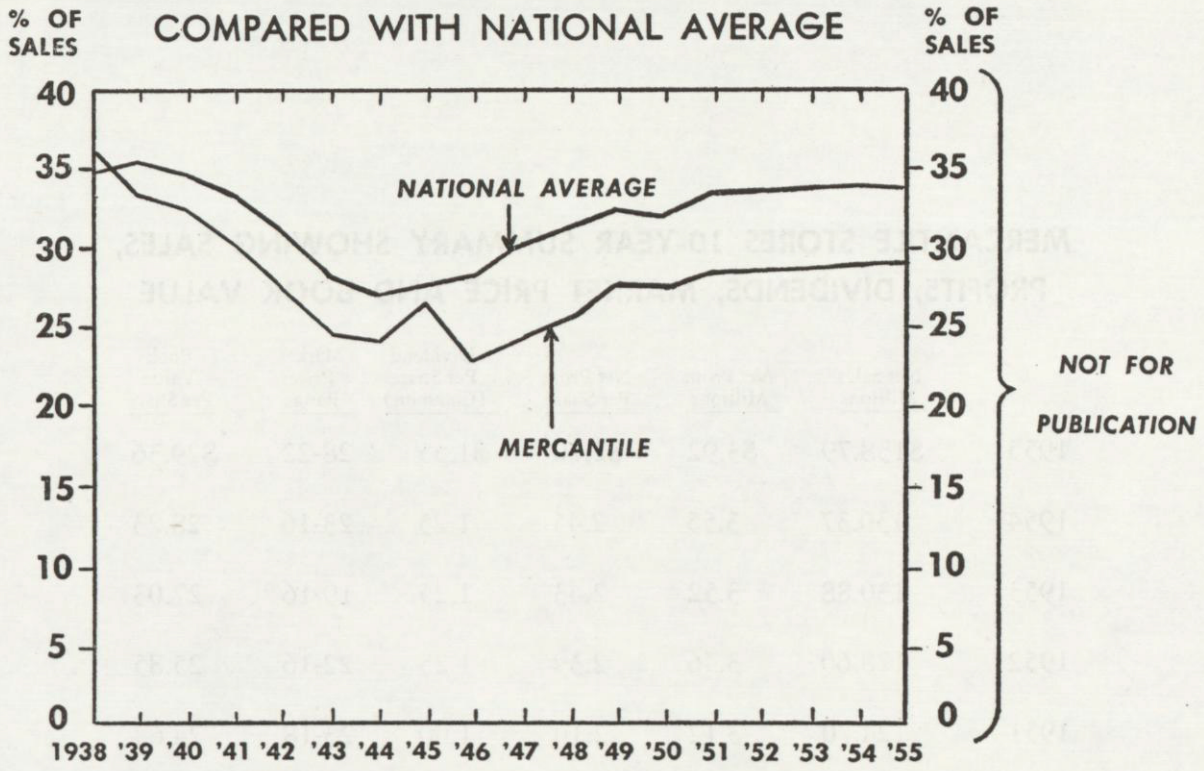
   Incentives to people to cut costs

   Centralized:

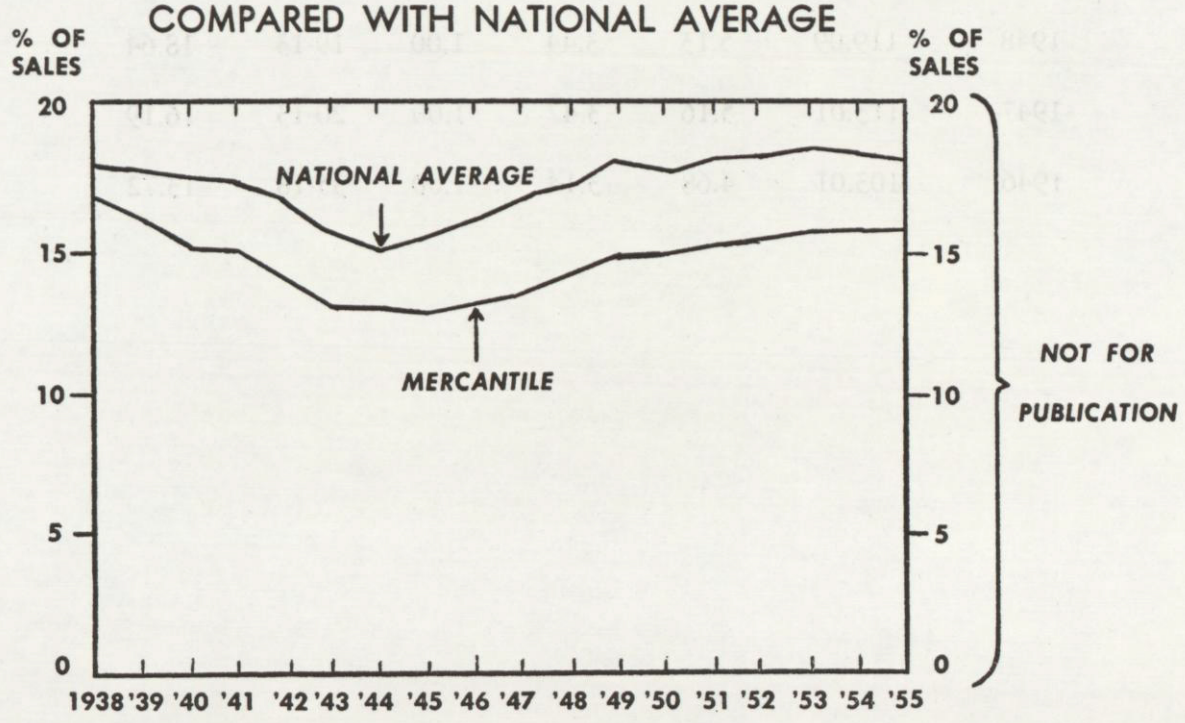
   - Buying Office
   - Accounting
   - Supply purchases
   - Insurance and taxes

   Low occupancy costs (much of the real estate we own was bought years ago at low cost, plus policy of not going into leased stores unless reasonably low rent can be arranged)

MERCANTILE'S TOTAL EXPENSE RATIO COMPARED WITH NATIONAL AVERAGE



MERCANTILE'S PAYROLL RATIO COMPARED WITH NATIONAL AVERAGE



MERCANTILE STORES 10-YEAR SUMMARY SHOWING SALES, PROFITS, DIVIDENDS, MARKET PRICE AND BOOK VALUE

	Net Sales Millions	Net Profit Millions	Net Profit Per Share	Dividend Per Share (Common)	Market Price Range	Book Value Per Share
1955	$138.79	$3.92	$2.70	$1.55	28-22	$29.36
1954	130.37	3.55	2.45	1.25	23-16	28.23
1953	130.88	3.52	2.43	1.25	19-16	27.03
1952	128.60	3.46	2.39	1.25	22-16	25.85
1951	124.70	3.12	2.10	1.00	23-18	24.64
1950	125.43	5.11	3.45	1.00	20-14	23.54
1949	112.61	3.61	2.42	1.00	15-13	20.06
1948	119.09	5.13	3.44	1.00	19-13	18.64
1947	113.01	5.16	3.47	1.00	20-13	16.19
1946	103.01	4.68	3.14	1.00	35-18	13.72

COMPARISON OF PRE-TAX PROFIT PERCENT TO SALES WITH EIGHT LEADING DEPARTMENT STORE GROUPS

	1955	1954	1953	1952	1951	5-Year Average
Mercantile Stores	5.8%	5.3%	5.3%	5.5%	5.2%	5.4%
Company A	5.0	5.0	4.7	5.0	3.5	4.6
" B	6.3	6.5	6.0	5.9	5.0	5.9
" C	4.7	4.3	3.9	3.9	2.8	3.9
" D	8.6	7.9	6.5	6.8	6.3	7.2
" E	4.2	3.6	3.7	3.3	2.6	3.5
" F	3.5	3.1	2.8	3.4	3.6	3.3
" G	3.0	3.0	2.8	3.0	1.8	2.7
" H	8.0	7.8	7.5	7.8	7.7	7.8
Average of the 8 other Companies	5.4	5.2	4.7	4.9	4.2	4.9

(Figures taken from reports of fiscal years nearest to the calendar years)

COMPARISON OF MARKET PRICE AND YIELD WITH EIGHT LEADING DEPARTMENT STORE GROUPS

	Market Price Nov. 1, 1956	Market Price Range During 1955	1955 Net Sales (Millions)	Net Profit Per Share For 1955	Price Earnings Ratio (Nov. 1, 1956 Price ÷ 1955 Earnings)	1955 Dividend Rate	Yield (Nov. 1, 1956 Price 1955 Dividend)
Mercantile Stores	24 5/8	28-22	$139	$2.70	9.1	$1.55	6.3%
Company A	48 7/8	64-52	582	5.09	9.6	3.00	6.1
" B	32 1/2	38-27	190	3.48	9.3	1.70	5.2
" C	19 1/8	25-20	252	2.49	7.7	1.40	7.3
" D	34	73-53*	538	3.07	11.1	1.38	4.1
" E	29 1/4	30-20	325	3.16	9.3	1.00	3.4
" F	35 1/4	40-32	66	4.40	8.0	2.50	7.1
" G	32 3/8	36-26	398	3.07	10.5	1.60	4.9
" H	39 3/8	44-34	494	3.10	12.7	1.90	4.8

* Split 2 for 1 January 27, 1956.

EXPANSION

Mercantile's Three-Pronged Expansion Policy:

(1) Open suburban stores in cities where we have well-established downtown stores

(2) Buy well-established downtown stores

(3) Enlarge and modernize our downtown stores

1956 Expansion:

Bought downtown store in Pueblo, Colorado

Opened suburban stores in:

Cincinnati, Ohio

Louisville, Kentucky

Pensacola, Florida

Boulder, Colorado

Relocated suburban Louisville store (more than doubled the size)

Estimated annual volume of these new units is $13,000,000.

Planned 1957 Expansion:

Enlarging several downtown stores

Opening two new suburban stores

Relocating one suburban store to larger quarters

Estimated annual volume of these units will increase Mercantile's sales by $5,000,000.

Financing Expansion:

The expansion during seven years ended January 31, 1956 was financed out of retained earnings (no increase in long-term debt during that period).

1956 and 1957 expansion is being financed out of retained earnings, mortgages on real estate, and some temporary short-term bank loans.

Closing Stores Which Do Not Make Good Profit:

Policy is to weed out marginal stores, as leases may expire, etc.

Examples: 1956 closed two small stores
1955 closed major unit in Cincinnati
1954 closed store in Greenville, South Carolina

Brief History of Company:

In early 1900's, H. B. Clafflin bought up a number of successful independently owned stores.

Reorganization around 1915, resulted in splitting the stores into two groups:

One group became Mercantile Stores (Incorporated 1919)

The other group became Associated Dry Goods Co.

Fundamental Policies of Mercantile Which Differ From Those of Most Department Stores:

(1) Lower than average mark-up (meet chain store competition)

(2) Lower than average expense ratio

(3) Centralized buying

(4) Promote from within

Merchandising Policies:

Meet chain stores competition (examples — sheets, cotton dresses, men's private brand dress shirts, and many others)

AND AT SAME TIME

Retain identity and characteristics of local department store by promoting nationally advertised brand merchandise (examples — Arrow shirts, McGregor sportswear, Van Raalte underwear, etc., and many others).

NOT FOR PUBLICATION

Importance of electrical appliances has been de-emphasized. Prior to 1949, appliance sales were relatively large in the Company, but we have tapered off this part of the operation.

Personnel Policies:

We strongly believe in the value of incentives for our people:

Well developed commission program for sales people

Bonus plan — geared to improved profit — for all supervisory people

Profit-sharing Plan

Pension Plan

Well organized recruiting of college graduates started in 1946. Has worked out well. Twenty-three of our present store managers were trainees under this program.

Ages of management group:

Average age of top 4 officers in management is 55

Average age of store managers of the 23 largest stores is 45 (ranging from 31 to 56)

Physical Properties:

Policy is to keep stores in good repair and modernize fixtures, etc., to keep abreast of competition. (For example — all stores are air-conditioned where there is any need for such equipment.)

Real estate is carried on books at low value. Many properties which we have owned for considerable period of time have been written down through depreciation to a figure way below current values. This factor could amount to several million dollars. We own the real estate from which something like 30% of our total sales are produced.

Full advantage is being taken of right to take accelerated depreciation. Profits reported are after charging such accelerated depreciation (profit for 1955 would have been 6 cents per share larger had normal straight line depreciation been charged).

Management Owns Stock:

Management, key personnel and rank and file are stockholders to an unusual extent. In the case of the four top officers of management, the principal portion of their life savings is invested in Mercantile stock, and store managers hold substantial amounts of stock.

This fact plus an attractive profit sharing arrangement gives real incentive to management team for building Company's earning power and protecting the value of the stock.